

ASSEMBLY BILL

No. 941

Introduced by Assembly Member Torrico

February 22, 2007

An act to add Section 50308.5 to the Financial Code, relating to lending.

LEGISLATIVE COUNSEL'S DIGEST

AB 941, as introduced, Torrico. Adjustable rate mortgage advertisements.

Existing law, the California Residential Mortgage Lending Act, provides for the licensure and regulation by the Commissioner of Corporations of persons engaged in the business of making residential mortgage loans or servicing those loans. Existing law provides that if any person engaged in the business of making or servicing those loans refers in any advertising to rates of interest, charges, or costs of loans, the commissioner shall require that they are stated fully and clearly in a manner that the commissioner deems necessary to give adequate information to prospective borrowers. A willful violation of the California Residential Mortgage Lending Act is a crime.

This bill would require a person engaged in the business of making or servicing residential mortgage loans who advertises option adjustable rate mortgage loans and references a payment rate with a negative amortization feature to include a specified disclosure in the advertisements.

Because a willful violation of the bill's requirements would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 50308.5 is added to the Financial Code,
2 to read:

3 50308.5. (a) If a person engaged in the business regulated by
4 this division advertises option adjustable rate mortgage loans and
5 references a payment rate with a negative amortization feature,
6 those advertisements, whether written or broadcast through radio,
7 television, or computer, shall include the following disclosure:

8 “This advertised rate of ____ is not the actual interest rate. It is
9 the payment rate. If the borrower chooses to pay this advertised
10 rate, the principal balance of the loan will increase.”

11 (b) The disclosure specified in subdivision (a) shall be in a font
12 no smaller than the prevailing font in the printed advertisement.
13 If the advertisement includes a monthly payment based on the
14 payment rate, the disclosure may be in the same font as the
15 advertised monthly payment as long as the font is not smaller than
16 the prevailing font in the printed advertisement. In the case of
17 audible advertisements, the disclosure shall be read before the end
18 of the advertisement.

19 SEC. 2. No reimbursement is required by this act pursuant to
20 Section 6 of Article XIII B of the California Constitution because
21 the only costs that may be incurred by a local agency or school
22 district will be incurred because this act creates a new crime or
23 infraction, eliminates a crime or infraction, or changes the penalty
24 for a crime or infraction, within the meaning of Section 17556 of
25 the Government Code, or changes the definition of a crime within
26 the meaning of Section 6 of Article XIII B of the California
27 Constitution.

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